



# STATE OF IOWA

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## Bulletin 13-05

To: Property and Casualty Insurance Companies Qualified to Write Crop-Hail Insurance in Iowa  
From: Nick Gerhart, Iowa Insurance Commissioner  
RE: Rules for Crop-Hail Insurance Rate and Form Filings  
Date: November 26, 2013

The purpose of this bulletin is to update and replace Bulletin 96-10. NCIS recently filed a rating program for an Iowa Crop-Hail Production Plan. This update serves to retain the intent of Bulletin 96-10 with regard to Crop Insurance in Iowa.

This bulletin applies to all insurance companies qualified to write crop-hail insurance in the State of Iowa for the 2014 crop season, and for each subsequent crop season. Crop-hail insurance includes policies providing crop-hail insurance, companion hail insurance, and other similar types of supplemental insurance. This bulletin supersedes bulletin 95-5, dated September 7, 1995. Information contained herein is effective until further notice.

## Form Filings

Pursuant to provisions of Iowa Code 515.109, all forms of policies, applications, and endorsements proposed to be issued by any company doing business in this state shall be first submitted to the Division for review and approval.

Companies who reference National Crop Insurance Services (NCIS) forms shall submit a descriptive listing of the NCIS forms that the company proposes to use in Iowa. The listing shall include the form title, form number, and edition date for each form.

Companies proposing to use independent forms or modified NCIS forms shall file a copy of each form as well as a memorandum describing the use of each form and the impact it will have on the rates.

## Rate Filings

### Filing Dates

Pursuant to provisions of Iowa Administrative Code 191-20.8, rate filings for crop-hail insurance shall be submitted to the Division on or before March 15 of each calendar year. Each filing shall be postmarked on or prior to March 15 of each calendar year. Companies are advised to submit their rate filings to the Division well in advance of the proposed effective date to allow reasonable time for the Division's review of a filing.

Companies will be allowed to file only one set of rates per policy plan per calendar year which shall remain in effect throughout the current crop year.

### **Expenses**

All companies shall furnish a minimum of three years of expense data, for both Iowa and Countrywide. Expense provisions include total production expenses, general expenses, loss adjustment expenses, and taxes, licenses, and fees. Provisions may be included for underwriting profit and contingencies. An explanation should be included detailing calculation of the underwriting profit and contingencies, and any variations in selected expenses from historical levels.

### **Loss Cost Multiplier**

All companies shall calculate a loss cost multiplier or a set of loss cost multipliers based on the expense data submitted with the filing. Multiple loss cost multipliers may be filed to the extent justified by differences in expenses (e.g. a different commission rate for corn vs. soybeans). The loss cost multiplier(s) should be calculated in accordance with the NAIC "Calculation of Company Loss Cost Multiplier" or "Calculation of Company Loss Cost Multiplier with Expense Constants" form.

### **Final Rates**

Final rates shall be determined by each company using the methodology it deems most appropriate. However, **all** companies shall certify (see attachment) that the proposed rating plan generates *aggregate* Iowa Crop-Hail Production Plan premiums which are within +\ -15% of the *aggregate* Iowa Crop-Hail Production Plan premiums which are generated when the filed company loss cost multiplier(s) is/are applied in the approved NCIS Iowa township or county loss cost rating plan. This shall be done using the company's latest crop season exposures.

The comparison involves separately rerating last year's book of business using the proposed company rating plan, and using the approved NCIS rating plan. The *aggregate* Iowa premiums should reflect only the rules and rates of the plan being rerated. (For example, if the proposed company plan includes a MPCI package discount, the company generated *aggregate* Iowa premiums should reflect the impact of this discount; however, the NCIS generated *aggregate* Iowa premiums should not, as the approved NCIS rating plan does not contain this discount.)

Final rates shall be determined by each company using the methodology it deems most appropriate. However, **all** companies shall certify (see attachment) that the proposed rating plan generates *aggregate* Iowa Multiple Peril Crop Insurance premiums which are within +\ -15% of the *aggregate* Iowa Multiple Peril Crop Insurance premiums which are generated when the filed company loss cost multiplier(s) is/are applied in the approved NCIS Iowa township or county loss cost rating plan. This shall be done using the company's latest crop season exposures.

The comparison involves separately rerating last year's book of business using the proposed company rating plan, and using the approved NCIS rating plan. The *aggregate* Iowa premiums should reflect only the rules and rates of the plan being rerated. (For example, if the proposed company plan includes a MPCI package discount, the company generated *aggregate* Iowa premiums should reflect the impact of this discount; however, the NCIS generated *aggregate* Iowa premiums should not, as the approved NCIS rating plan does not contain this discount.)

### **Rate and Rating Plan Guidelines**

All affiliated companies within a group, or individual companies that have entered into a managing general agents contract with the same managing general agent (MGA) will not be permitted to file more than one set of rates, factors, deviations, etc., for the companies as a whole. Furthermore, individual companies must also comply with this guideline.

### **Discounts**

Cash discounts not to exceed **five percent** will be permitted if the premium is received by July 1 or if full payment is included with new policies written after July 1.

Large volume discounts will be allowed on a graduated basis to the extent justified by specific expense savings. Claim free discounts will not be permitted. Multi-policy credits and MPCl package discounts will be permitted. All discounts proposed to be used in Iowa shall be filed with the Division prior to use.

## STATE OF IOWA

### CERTIFICATION FORM

I hereby certify that the rates and rules contained in this filing are in compliance with Iowa Insurance Laws, Regulations, and Bulletins and that the premiums are not inadequate, excessive, or unfairly discriminatory. Furthermore, I certify that the rating plan filed generates aggregate Iowa Crop-Hail Production Plan premiums which are within +\ -15% of the premiums which result if the filed company loss cost multiplier(s) is/are applied in the approved NCIS township or county rating plan. Additionally, I certify that the rating plan filed generates aggregate Iowa Multiple Peril Crop Insurance premiums which are within +\ -15% of the premiums which result if the filed company loss cost multiplier(s) is/are applied in the approved NCIS township or county rating plan.

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Date

Officer's Signature

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Name – Typed or Printed

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Title

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Company Name

**Failure to certify shall subject the insurer to penalties specified in 515F of the Iowa Code.**

*Last updated November 21, 2013.*